

STATE INVESTMENT COMMISSION
MINUTES
September 27, 2000

The State Investment Commission meeting was called to order by Jonathan Miller, State Treasurer on September 27, 2000 at 2:00 p.m. in Room 264 of the Capitol Annex. Members present were Orson Oliver, Bank of Louisville; Jonathan Miller, State Treasurer; and Gordon L. Mullis, proxy for John P. McCarty, Secretary, Finance and Administration Cabinet.

Treasurer Miller confirmed that a quorum was present and the press was notified of the meeting. On a motion by Mr. Oliver with a second by Gordon Mullis, the minutes for the June 12, 2000 meeting were **APPROVED**.

Gordon L. Mullis, Executive Director, Office of Financial Management ("OFM"), provided a brief economic update referring the members to the Kentucky Economic Indicators, Attachment A, in the board material. Mr. Mullis informed the Commission that May results indicated that growth was 22 percent over May 1999 and could be attributed to increased payments in individual tax returns and lower refund amount in individual returns. This is due in part to the fact that individual income tax payments made in late April were not reflected in the May results. Fiscal year-to-date, the economy shows over 5 percent growth and Mr. Mullis indicated that, in his opinion, the revised forecast will be met for year 2000. He also informed the Commission that the budget director feels that it may be possible to meet the original forecast for this fiscal year which was forecasted two years ago.

On a national level, the economy has taken a guarded tone in recent weeks. While the unemployment rate hasn't increased, UI claims are drifting higher with mild inflation. Consumer spending, manufacturing, and construction have weakened slightly. Oil prices are over \$34 a barrel and natural gas prices have risen to above \$5.25.

Mr. Dwight Price, portfolio manager, presented a portfolio update to the Commission. The reports found in Attachment B are a result of the Bloomberg analytical package now being used by the investment staff. The ***Fixed Income Summary: Sector Report*** reflects the securities held in the Intermediate, Bond Proceeds and Long-term pools. The pie chart indicates the allocation by percent of portfolio of each security. The ***Domestic Bond VS Benchmark*** compares each pool's performance to the benchmark by weight, contribution to duration and maturity breakdown.

With no further business before the Commission, the meeting adjourned at 2:45 p.m.

Gordon L. Mullis, Secretary
State Investment Commission

Mr. Mullis discussed Attachment C, the portfolio update. Mr. Mullis indicated that the Bloomberg analytical package is now available to OFM and allows staff to provide general information to the Commission members regarding the Commonwealth's portfolio. An overall summary page and a listing of the securities held within each pool is provided for the intermediate, the long-term and the bond proceeds pools and has been generated from the new analytical program. There are also charts comparing performance for each pool in Attachment C. Mr. Mullis informed the Commission that modified duration for the intermediate pool is 1.53 year, which is short, but given market activity is acceptable. The modified duration for the long-term pool is 2.3 years and for the bond proceeds pool is 1.56 years. Mr. Mullis further noted that each of the pools was performing above the Index at the end of May.

Secretary McCarty asked Mr. Mullis about the status of the short-term pool. Mr. Mullis indicated that there was a cash pool but because it is a money market pool it is not included in the book.

Treasurer Miller asked if any Commission member had further comments or questions regarding the information present. With no further business before the Commission, the meeting was adjourned.

Gordon L. Mullis, Secretary
State Investment Commission.